

AMENDED IN ASSEMBLY JUNE 9, 2003

AMENDED IN SENATE APRIL 21, 2003

SENATE BILL

No. 407

Introduced by Senator Torlakson

February 20, 2003

An act to ~~amend Section 11005 of~~ add Chapter 6.4 (commencing with Section 30030) to Division 3 of Title 3 of the Government Code, and to add Section 97.5 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 407, as amended, Torlakson. Local government financing: enterprise special districts: property tax revenue allocations.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the

county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education. Existing law excludes from these reduction and transfer requirements, among other entities, multicounty special districts.

This bill would require, in the 2003–04 fiscal year, that the amount of ad valorem property tax revenue deemed allocated in the 2002–03 fiscal year to an enterprise special district, as defined, be reduced by the lesser of 2 amounts. This bill would decrease this reduction amount by 70% for a district that also performs nonenterprise functions. This bill would also require that those ad valorem property tax revenues that are not allocated to an enterprise special district as a result of these provisions instead be allocated to a county Educational Revenue Augmentation Fund for allocation as otherwise required by law. This bill would also require that ad valorem property tax revenue allocations in the 2004–05 fiscal year and each fiscal year thereafter fully incorporate the allocation adjustments required by the bill.

By requiring county auditors to recalculate ad valorem property tax revenue allocations to enterprise special districts and Educational Revenue Augmentation Funds, this bill would impose a state-mandated local program.

This bill would also establish the Local Services Preservation Fund to receive, in each fiscal year, an amount of money equal to the total amount of money required by this bill to be allocated in that fixed year to Educational Revenue Augmentation Funds. This bill would also state the intent of the Legislature to appropriate moneys in the Local Services Preservation Account to counties and cities, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.



~~Under existing law, the Controller is required to allocate vehicle license fee revenues in the Motor Vehicle License Fee Account to cities, counties, and cities and counties, in the amounts determined under a specified formula. Existing law requires these allocations be made based on the proportion that the population of each city, county, or city and county bears to the total population of all cities, counties, and cities and counties in the state, as determined by the population research unit of the Department of Finance.~~

~~This bill would, instead, specify that these population determinations be made by the Demographic Research Unit of the Department of Finance.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: ~~no~~ yes.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 11005 of the Revenue and Taxation~~
2 SECTION 1. Chapter 6.4 (commencing with Section 30030)
3 is added to Division 3 of Title 3 of the Government Code, to read:
4
5 CHAPTER 6.4. LOCAL SERVICES PRESERVATION FUND
6
7 30030. (a) (1) The Local Services Preservation Fund is
8 hereby created in the State Treasury to receive, in each fiscal year,
9 an amount of money equal to the total amount of money allocated
10 in each fiscal year to Educational Revenue Augmentation Funds
11 pursuant to Section 97.5 of the Revenue and Taxation Code.
12 (2) On or before June 1 of each fiscal year, the Director of
13 Finance shall notify the Treasurer of the amount to be deposited
14 in the Local Services Preservation Fund for that fiscal year.
15 (b) It is the intent of the Legislature to do both of the following:
16 (1) In the Budget Act for fiscal year 2003–04, to appropriate
17 moneys in the Local Services Preservation Fund among counties
18 and cities in shares based on the relative population of each county
19 or city.
20 (2) In the Budget Act for the 2004–05 fiscal year and the Budget
21 Act for each fiscal year thereafter, to appropriate moneys in the
22 Local Services Preservation Fund to counties and cities that have
23 adopted general plan housing elements that the Department of
24 Housing and Community Development has found substantially

1 *comply with the requirements of Article 10.6 (commencing with*
2 *Section 65580) of Chapter 3 of Division 1 of Title 7.*

3 *SEC. 2. Section 97.5 is added to the Revenue and Taxation*
4 *Code, to read:*

5 *97.5. (a) (1) Notwithstanding any other provision of law, for*
6 *purposes of making property tax revenue allocations for the*
7 *2003–04 fiscal year, the total amount of ad valorem property tax*
8 *revenue deemed allocated to an enterprise special district in the*
9 *2002–03 fiscal year shall, subject to modification under*
10 *paragraph (2), be reduced by the lesser of the following:*

11 *(A) Forty percent.*

12 *(B) An amount equal to 10 percent of that district’s total*
13 *revenues, from whatever source.*

14 *(2) For an enterprise special district that also performs a*
15 *nonenterprise function, the amount of the reduction calculated*
16 *pursuant to paragraph (1) shall be decreased by 70 percent.*

17 *(b) If an enterprise special district is located in more than one*
18 *county, the auditor of each county in which that enterprise special*
19 *district is located shall implement that portion of the total*
20 *reduction, required by subdivision (a) with respect to that district,*
21 *determined by the ratio of the amount of ad valorem property tax*
22 *revenue allocated to that district from the county to the total*
23 *amount of ad valorem property tax revenue allocated to that*
24 *district from all counties.*

25 *(c) Those amounts of ad valorem property tax revenues that are*
26 *not allocated by a county to an enterprise special district as a result*
27 *of subdivisions (a) and (b) shall instead be deposited in the*
28 *county’s Educational Revenue Augmentation Fund for allocation*
29 *as otherwise required by law.*

30 *(d) For the 2004–05 fiscal year and each fiscal year thereafter,*
31 *ad valorem property tax revenue allocations made pursuant to*
32 *Section 96.1 shall fully incorporate the allocation adjustments*
33 *required by this section.*

34 *(e) For purposes of this section:*

35 *(1) An “enterprise special district” means a special district,*
36 *other than a special district described in paragraph (2), that meets*
37 *both of the following criteria:*

38 *(A) The special district is not otherwise required by law, for any*
39 *fiscal year, to have its ad valorem property tax revenue allocation*

1 *reduced and reallocated to an Educational Revenue Augmentation*
2 *Fund.*

3 (B) *The special district is properly included as performing an*
4 *enterprise activity as identified in the most recent edition of the*
5 *State Controller's Special Districts Annual Report.*

6 (2) *An "enterprise special district" does not include any of the*
7 *following:*

8 (A) *A qualified special district, as defined in Section 97.34.*

9 (B) *A district organized pursuant to the Local Health Care*
10 *District Law set forth in Division 23 (commencing with Section*
11 *32000) of the Health and Safety Code.*

12 (C) *A transit district.*

13 SEC. 3. *Notwithstanding Section 17610 of the Government*
14 *Code, if the Commission on State Mandates determines that this*
15 *act contains costs mandated by the state, reimbursement to local*
16 *agencies and school districts for those costs shall be made*
17 *pursuant to Part 7 (commencing with Section 17500) of Division*
18 *4 of Title 2 of the Government Code. If the statewide cost of the*
19 *claim for reimbursement does not exceed one million dollars*
20 *(\$1,000,000), reimbursement shall be made from the State*
21 *Mandates Claims Fund.*

22 *Code is amended to read:*

23 ~~11005. (a) After payment of refunds therefrom and after~~
24 ~~making the deductions authorized by Section 11003 and reserving~~
25 ~~the amount determined necessary by the Pooled Money~~
26 ~~Investment Board to meet the transfers ordered or proposed to be~~
27 ~~ordered pursuant to Section 16310 of the Government Code,~~
28 ~~commencing with the 1989-90 fiscal year, the Controller shall~~
29 ~~deduct the amount that is necessary to make the allocation~~
30 ~~provided for in subdivision (j) of Section 98.02. Eighty-one and~~
31 ~~one-quarter percent of the balance of all motor vehicle license fees~~
32 ~~and any other money appropriated by law for expenditure pursuant~~
33 ~~to this section and deposited to the credit of the Motor Vehicle~~
34 ~~License Fee Account in the Transportation Tax Fund and~~
35 ~~remaining unexpended therein at the close of business on the last~~
36 ~~day of the calendar month shall be allocated by the Controller by~~
37 ~~the 10th day of the following month in the manner provided by~~
38 ~~subdivisions (c) and (d).~~

39 ~~(b) Eighteen and three-quarters percent of the balance shall be~~
40 ~~allocated, as follows:~~

~~(1) (A) Commencing with the 1988-89 fiscal year, the Controller shall allocate to each city that existed but did not levy a property tax in the 1977-78 fiscal year, other than for voter-approved indebtedness, an amount equal to the total amount that each of those cities would have received in that fiscal year pursuant to Section 25761 of the Business and Professions Code, Section 4306 of the Public Utilities Code, and Section 26483 of this code, as if those sections were operative in that fiscal year in the form in which they existed on June 1, 1981. For each fiscal year thereafter, the Controller shall increase the amount for each city computed pursuant to this paragraph by the percent by which the revenue to the Motor Vehicle License Fee Account increased over the revenue for the previous fiscal year.~~

~~(B) (i) For each fiscal year following the 1988-89 fiscal year in which a city subject to subparagraph (A) receives a distribution of property tax revenue pursuant to Section 97.35, 97.37, or 97.38, the amount to be allocated to the city pursuant to subparagraph (A) shall be reduced by the amount of the distribution made pursuant to those sections.~~

~~(ii) No allocation shall be made to a city pursuant to subparagraph (A) in the first fiscal year in which the amount distributed to a city pursuant to Section 97.35, 97.37, or 97.38 equals or exceeds the amount that would have been allocated to that city pursuant to subparagraph (A) or in any fiscal year thereafter.~~

~~(iii) Any amount not allocated to a city pursuant to subparagraph (A) as a result of the operation of this subparagraph shall be allocated to eligible cities in accordance with clause (iv).~~

~~(iv) Commencing with the 1989-90 fiscal year, the Controller shall allocate the amount determined in clause (iii) for each fiscal year to each eligible city in the proportion that the population of each eligible city bears to total population of all eligible cities.~~

~~For purposes of this clause, “eligible city” means any city that incorporated prior to June 5, 1987, and had an amount of property tax revenue allocated to it pursuant to subdivision (a) of Section 97 in the 1987-88 fiscal year that is less than 10 percent of the amount of property tax revenue computed for the 1987-88 fiscal year in accordance with the method described in subdivision (c) of Section 97.35.~~

~~The auditor shall notify the Controller of his or her determination of those cities within the county that are eligible cities.~~

~~(2) Each month the Controller shall allocate the remainder of the amount determined pursuant to this subdivision to counties and cities and counties in an amount for each county and city and county equal to the revenue received in the 1982-83 fiscal year pursuant to former Section 16111, subdivision (c) of former Section 16113, and former Section 16113.7 of the Government Code. These amounts shall be determined by the Controller with the concurrence of the Director of Finance. The Controller shall allocate any remaining amount determined pursuant to this subdivision to counties and cities and counties in the proportion that the population of each county or city and county bears to the total population of all the counties and cities and counties of the state, as determined pursuant to subdivision (d).~~

~~(e) Fifty percent of the payments required by subdivision (a) shall be paid to the cities and cities and counties of this state in the proportion that the population of each city or city and county bears to the total population of all cities and cities and counties in this state, as determined by the Demographic Research Unit of the Department of Finance. For the purpose of this subdivision, the population of each city or city and county is that determined by the last federal decennial or special census, or a subsequent census validated by the Demographic Research Unit or subsequent estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code. In the case of a city incorporated subsequent to the last federal census, or a subsequent census validated by the Demographic Research Unit, the Demographic Research Unit shall determine the population of the city. In the case of unincorporated territory being annexed to a city subsequent to the last federal census, or a subsequent census validated by the Demographic Research Unit, the Demographic Research Unit shall determine the population of the annexed territory by the use of any federal decennial or special census, or estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code. In the case of the consolidation of one city with another subsequent to the last federal census, or a subsequent census validated by the Demographic Research Unit, the population of the consolidated city, for the purpose of this subdivision, is the aggregate population~~

1 of the respective cities as determined by the last federal census, or
2 a subsequent census or estimate validated by the Demographic
3 Research Unit.

4 (d) Fifty percent of the payments required by subdivision (a)
5 shall be paid to the counties and cities and counties of the state in
6 the proportion that the population of each county or city and
7 county bears to the total population of all the counties and cities
8 and counties of the state, as determined by the Demographic
9 Research Unit. For the purpose of this subdivision, the population
10 of each county or city and county is that determined by the last
11 federal census, or subsequent census validated by the
12 Demographic Research Unit, or as determined by Section
13 11005.6.

14 (e) Money disbursed by the Controller to cities and counties
15 pursuant to this section may be used for county or city purposes
16 and may, but need not necessarily, be used for purposes of general
17 interest and benefit to the state.

18 (f) Population changes based on a federal special census or a
19 subsequent census validated by the Department of Finance shall be
20 accepted by the Controller only if certified to him or her at the
21 request of the city, city and county, or county for which the census
22 was made and shall become effective on the first day of the month
23 following receipt of the certification.